

THE MUHAMMAD SUBUH FOUNDATION

INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2006 AND 2005

To: Muhammad Subuh Foundation

AUDITOR'S REPORT

We have audited the financial statements 2006 of Muhammad Subuh Foundation, Richmond, United States, which comprise the balance sheet as at December 31, 2006, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the Foundation is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, in accordance with accounting principles generally accepted in the Netherlands. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters affecting opinion

The balance sheet, having a total of USD 3,414,172, includes investments in shares of USD 433,533. Of this amount, a substantial part relates to unlisted shares, not having audited financial statements available to verify the valuation. We were unable to satisfy ourselves as to the valuation by other audit procedures

Opinion

Only for the reason described in the preceding paragraph, we are unable to express an opinion about whether the financial statements as a whole give a true and fair view. Our audit, however, has not revealed any irregularities in these financial statements.

Rotterdam, August 1, 2007

for Ernst & Young Accountants

signed by W.E. Paardekooper

THE MUHAMMAD SUBUH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2006 AND 2005
(U.S. DOLLARS)

ASSETS

	<u>2006</u>	<u>2005</u>
Cash Available for Current Use (NOTE 2)	\$ 1,915,099	\$ 1,616,725
Accounts Receivable & Prepayments	\$ 77,923	\$ 46,783
Investments (NOTE 3)	\$ 838,003	\$ 487,144
Notes Receivable Long Term (NOTE 7)	\$ 357,948	\$ 358,868
Notes Receivable from Subud Organisations (NOTE 12)	\$ 50,208	\$ 52,458
Land and Buildings Net of Accumulated Depreciation (NOTE 1)	<u>\$ 174,991</u>	<u>\$ 181,706</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,414,172</u>	<u>\$ 2,743,684</u>

LIABILITIES AND NET ASSETS

Liabilities

Loans from Trustees (NOTE 10)	\$ 24,900	\$ 41,100
Euro loan (NOTE 11)	\$ 89,665	\$ 80,437
Distributable Grants	\$ 30,000	\$ 31,849
Accounts payable	\$ 4,151	\$ 14,624
<u>Total Liabilities</u>	<u>\$ 148,716</u>	<u>\$ 168,010</u>

Net Assets

Unrestricted - Capital Use Fund	\$ 1,329,331	\$ 1,108,663
Unrestricted - Designated as Capital Preservation Fund (NOTE 6)	\$ 385,629	\$ 385,629
Unrestricted - Designated as Bapak's Talks Fund (NOTE 5)	\$ -	\$ 50,000
Unrestricted - Designated as Youth Support Fund	<u>\$ 16,550</u>	<u>\$ -</u>
Total Unrestricted Net Assets	\$ 1,731,510	\$ 1,544,292
Temporarily Restricted (NOTE 4)	\$ 656,157	\$ 252,421
Permanently Restricted - Permanent capital Fund (NOTE 4)	<u>\$ 877,789</u>	<u>\$ 778,961</u>
<u>Total Net Assets</u>	\$ 3,265,456	\$ 2,575,674
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 3,414,172</u>	<u>\$ 2,743,684</u>

THE MUHAMMAD SUBUH FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005.
(U.S. Dollars)

	Unrestricted 2006	Temporarily Restricted 2006	Permanently Restricted 2006	Total 2006
<u>Support and Revenue</u>				
Contributions from Subud Members	\$ 16,979	\$ 6,123	\$ 950	\$ 24,052
Contributions from Enterprises	\$ 99,271	-	-	\$ 99,271
Grants	-	-	-	-
Legacies & Bequests	\$ 16,354	-	\$ 39,410	\$ 55,764
Dividends and Realized Gains	\$ 1,605	-	-	\$ 1,605
Interest Revenue	\$ 79,973	\$ 61,197	\$ 61,846	\$ 203,016
Miscellaneous	\$ 1,344	-	-	\$ 1,344
	\$ 215,526	\$ 67,320	\$ 102,206	\$ 385,052
Net Assets Released from Restrictions (NOTE 5)	\$ 5,768	\$ -5,768	-	-
<u>TOTAL SUPPORT AND REVENUE</u>	\$ 221,294	\$ 61,552	\$ 102,206	\$ 385,052
<u>Expenses</u>				
<u>Programs:</u>				
Grants for Subudhouses	\$ 10,106	-	-	\$ 10,106
Grants to World Subud Association	\$ 50,000	-	-	\$ 50,000
Grants - Other	\$ 16,273	-	-	\$ 16,273
Depreciation Expense on Long-Term Assets	\$ 6,715	-	-	\$ 6,715
Total Program Expenses	\$ 83,094	-	-	\$ 83,094
Management and General (see Schedule)	\$ 24,233	-	-	\$ 24,233
<u>Total Expenses</u>	\$ 107,327	-	-	\$ 107,327
<u>Other Gains/Losses</u>				
Unrealized (Gain)/Loss on Investments (NOTE 3)	\$ -57,023	\$ -340,335	-	\$ -397,358
(Gains)/Losses on Currency differences	\$ -12,850	-	-	\$ -12,850
Correction previous years	\$ -3,378	\$ -1,849	\$ 3,378	\$ -1,849
<u>TOTAL EXPENSES AND LOSSES</u>	\$ 34,076	\$ -342,184	\$ 3,378	\$ -304,730
Change in Net Assets	\$ 187,218	\$ 403,736	\$ 98,828	\$ 689,782
Net assets - Beginning of Period	\$ 1,544,292	\$ 252,421	\$ 778,961	\$ 2,575,674
Net Assets - End of Period	\$ 1,731,510	\$ 656,157	\$ 877,789	\$ 3,265,456

THE MUHAMMAD SUBUHI FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004.
(U.S. Dollars)

	Unrestricted 2005	Temporarily Restricted 2005	Permanently Restricted 2005	Total 2005
<u>Support and Revenue</u>				
Contributions from Subud Members	\$ 6,568	\$ 272,636	\$ 2,655	\$ 281,859
Contributions from Enterprises	\$ 2,500	\$ 5,000	-	\$ 7,500
Grants	-	\$ 20,000	-	\$ 20,000
Legacies & Bequests	-	-	-	-
Dividends and Realized Gains	\$ 9,237	-	-	\$ 9,237
Interest Revenue	\$ 34,073	-	\$ 33,544	\$ 67,617
	\$ 52,378	\$ 297,636	\$ 36,199	\$ 386,213
Net Assets Released from Restrictions (NOTE 5)	\$ 89,105	\$ -89,105	-	-
	\$ 141,483	\$ 208,531	\$ 36,199	\$ 386,213
<u>TOTAL SUPPORT AND REVENUE</u>				
<u>Expenses</u>				
<u>Programs:</u>				
Grants for Subudhouses	\$ 21,077	-	-	\$ 21,077
Grants to World Subud Association	\$ 88,759	-	-	\$ 88,759
Grants - Other	\$ 40,939	-	-	\$ 40,939
Depreciation Expense on Long-Term Assets	\$ 6,715	-	-	\$ 6,715
Total Program Expenses	\$ 157,490	-	-	\$ 157,490
Management and General (see Schedule)	\$ 22,958	-	-	\$ 22,958
	\$ 180,448	-	-	\$ 180,448
<u>Total Expenses</u>				
Other Gains/Losses				
Grants Cancelled	-	-	-	-
Unrealized Gain/Loss on Investments (NOTE 3)	\$ 19,749	-	\$ 26,448	\$ 46,197
Currency differences	\$ 19,585	-	-	\$ 19,585
Correction previous years	-	-	\$ 1,849	\$ 1,849
<u>TOTAL EXPENSES AND LOSSES</u>	\$ 219,782	-	\$ 28,297	\$ 248,079
Change in Net Assets	\$ -78,299	\$ 208,531	\$ 7,902	\$ 138,134
Net assets - Beginning of Period	\$ 1,622,591	\$ 43,890	\$ 771,059	\$ 2,437,540
Net Assets - End of Period	\$ 1,544,292	\$ 252,421	\$ 778,961	\$ 2,575,674

**THE MUHAMMAD SUBUH FOUNDATION
SUPPORTING SCHEDULES OF MANAGEMENT
AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,
2006 AND 2005
(U.S. Dollars)**

	Unrestricted <u>2006</u>	Unrestricted <u>2005</u>
<u>Management and General Expenses</u>		
Trustee Meeting Expenses	\$ 8,414	\$ 11,341
Office Supplies and Expense	\$ 1,134	\$ 1,394
Audit Services	\$ 7,939	\$ 4,952
Legal Fees	\$ 1,835	\$ 250
Other Fees and Allowances	\$ 3,000	\$ 3,000
Bank Service Charges	\$ 1,340	\$ 1,396
Credit Card Service	\$ 571	\$ 625
Miscellaneous	\$ -	\$ -
	<hr/>	<hr/>
TOTAL	\$ 24,233	\$ 22,958

THE MUHAMMAD SUBUH FOUNDATION
STATEMENTS OF CASH FLOWS FOR THE YEARS
ENDED DECEMBER 31, 2006 AND 2005
(U.S.Dollars)

	<u>2006</u>	<u>2005</u>
<u>Cash Flows from Operating Activities</u>		
(Decrease) / increase in Total Net Assets	\$ 689,783	\$ 138,134
Adjustments to Reconcile Increase in Net Assets to Cash Provided by Operating Activities:		
Depreciation and Amortization	\$ 6,715	\$ 6,715
Unrealized (Gains)/ Loss on Investments	\$ (356,576)	\$ 3,572
Currency Diff. on YMS/Euro Loan	\$ (4,867)	\$ 3,127
Decrease in:		
Donated Securities	\$ -	\$ (20,448)
Accounts Receivable and Other Assets	\$ (25,352)	\$ (342,015)
(Decrease) / Increase in:		
Accounts and Notes Payable	\$ (19,294)	\$ (1,003)
Total Adjustments	<u>\$ (399,374)</u>	<u>\$ (350,052)</u>
Net Cash Used in Operating Activities	\$ 290,409	\$ (211,918)
<u>Cash Flows from Investing Activities</u>		
Loan Repayments from Subud Organizations	\$ 2,250	\$ 2,194
De-investment	\$ 5,715	\$ 335,198
Loans to Subud Organizations for Houses	<u>\$ -</u>	<u>\$ (20,000)</u>
Net Cash Provided by (Used in) investing Activities	\$ 7,965	\$ 317,392
Net Increase (Decrease) in Cash and Equivalents	\$ 298,374	\$ 105,474
Cash and Equivalents - Beginning of Year	\$ 1,616,725	\$ 1,511,251
Cash and Equivalents - End of Year	\$ 1,915,099	\$ 1,616,725

THE MUHAMMAD SUBUH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Organization, Purpose, Affiliation and Tax Status

The Muhammad Subuh Foundation, a non-profit tax-exempt corporation, was organized August 2, 1991, in the State of Virginia, United States of America, by its parent organization, the World Subud Association. The Foundation was created for the purpose of holding long-term assets of its parent organization and for soliciting contributions from public and private sources, whether or not restricted as to manner, amount, or timing, and to apply these funds to any charitable, educational, literary, or scientific purpose jointly approved by the Foundation Trustees and the Directors of the World Subud Association. The principal office of the Foundation is presently located in Rotterdam, Netherlands, and the Trustees reside in the USA, Asia, Australia and Europe.

The World Subud Association, a non-profit tax-exempt corporation organized in the District of Columbia, USA, exercises control over the Foundation through its right to appoint and remove Foundation trustees, its right to one ex-officio position on the Foundation's Board of Trustees, and its right to approve the Foundation's annual budget.

Income Taxes.

On July 6, 1992, the Foundation was granted tax-exempt status as a section 501(c)(3) organization and was recognized as a public charity by the United States Internal Revenue Service. Accordingly, no provision has been made for United States federal or state income taxes.

Classification of Net Assets.

Net assets are assets reduced by liabilities and are reported in the financial statements in three classes: unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets, based on the absence or existence of donor-imposed restrictions.

Permanently restricted net assets generally result from long-lived assets donated for a specific purpose with a donor stipulation that the assets be preserved and not be sold, or from assets donated with donor stipulations that they be invested to provide a permanent source of income, e.g. endowment funds.

Temporarily restricted net assets are those assets donated for (a) support of particular operating activities, (b) temporary investment for a specified term, (c) use in a specified future period, or (d) acquisition and use of long-lived assets such as buildings.

Unrestricted net assets (capital use fund) generally result from receipt of unrestricted contributions, grants, interest and dividends, revenues from providing services, raising contributions, and performing administrative functions. The only limitations on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in the articles of incorporation or bylaws, limits from contractual agreements with suppliers and creditors, and self-imposed limits such as voluntary resolutions by the Trustees to designate a portion of its unrestricted net assets to function as an endowment (e.g., the capital preservation fund).

Recognition of Income

In 2006 and 2005 contributions were solicited from individual Subud members, businesses, and Subud organizations worldwide and no solicitations were made to the general public. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges for contributions are recorded as income when received and allowances are provided for pledges estimated to be uncollectable.

Cost is recorded in the same period as revenue, other cost and expense is recognised in the period to which it relates.

Property and Equipment.

Property is recorded at cost or at estimated fair value at the date of gift, if donated. Maintenance, repairs, and renewals are expensed, and additions and improvements are capitalized. Depreciation is computed on a straight-line basis over the estimated useful life of the asset. Depreciation for long-term assets for both the years ended December 31, 2006 and 2005 amounts to \$ 6,715.

In 1993 the Foundation received contractual rights to land and buildings at the Amanecer International Subud Center located near Armenia, Colombia. In July 2001 the land and main building of Fundacion Amanecer have been formally conveyed to the Foundation.

Depreciation summary.	Value at Acquisition	Prior Accum. Depreciation	Current year depreciation	Total accum. Depreciation	Value ult. 2005
Land & Buildings					
Amanecer, Colombia	\$ 238,982	\$ 68,436	\$ 5,475	\$ 73,911	\$ 165,071
Archive House, Indonesia	\$ 31,000	\$ 19,840	\$ 1,240	\$ 21,080	\$ 9,920
	\$ 269,982	\$ 88,276	\$ 6,715	\$ 94,991	\$ 174,991

The Foundation owned no equipment and all operations were carried out using facilities and office equipment owned by individual officers, trustees, or by affiliated organisations.

Investments.

The Foundation adopts Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not for Profit Organizations*, in 1996. Under SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities and changes in net assets. For unlisted investments the valuation is based on the net equity value as per the most recent financial data or, if this value is unknown, on the nominal value of the investment.

Other assets and liabilities.

All other assets and liabilities are stated at face value.

Statement of Cash Flows.

The Foundation considers all cash on hand, demand cash balances, and highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents for purposes of the statement of cash flows.

Currency Valuation.

All values presented in the financial statements are stated in United States dollars. Assets and liabilities denominated in foreign currencies are translated into US dollars at year end. Transactions in foreign currencies are translated at the exchange rate in effect at the time of the transaction. The exchange results are recorded under financial income and expense in the income statement.

NOTE 2 CASH

The Foundation maintains demand deposit bank accounts in US and Dutch banks for operations and a capital fund designated as such by the Trustees. There are no restrictions placed on these cash balances by the respective banks.

NOTE 3 INVESTMENTS

Equity and debt investments with readily determinable fair values:

	% held	2006			2005		
		Value at		Appreciation (Depreciation)	Value at		Appreciation (Depreciation)
		Acquisition date	Fair Value		Acquisition date	Fair Value	
Lloyds TSB	0	\$ 3,149	\$ 3,301	\$ 152	\$ 3,149	\$ 2,481	\$ (668)
Prudential	0	\$ 2,658	\$ 3,424	\$ 766	\$ 2,658	\$ 2,367	\$ (291)
GlaxoSmithKline	0	\$ 2,261	\$ 2,553	\$ 292	\$ 2,261	\$ 2,453	\$ 192
Shell Transport & Trading	0	\$ 3,234	\$ 4,521	\$ 1,287	\$ 3,234	\$ 4,126	\$ 892
Kalimantan Gold Corp.	0	\$ 57,360	\$ 29,095	\$ (28,265)	\$ 57,360	\$ 16,155	\$ (41,205)
Verizon	0	\$ 3,914	\$ 4,841	\$ 927	\$ 3,914	\$ 3,914	\$ -
7.75% UK Treasury St.		\$ 4,611	\$ -	\$ (4,611)	\$ 4,611	\$ 5,715	\$ 1,104
Total		\$ 77,187	\$ 47,735	\$ (29,452)	\$ 77,187	\$ 37,211	\$ (39,976)

Other equity investments:

	% held	2006			2005		
		Value at		Appreciation (Depreciation)	Value at		Appreciation (Depreciation)
		Acquisition date	Fair Value		Acquisition date	Fair Value	
S.Widjojo International	4.7	\$ 164,310	\$ -	\$ (164,310)	\$ 164,310	\$ -	\$ (164,310)
Oakenhall, Ltd.	23.8	\$ 46,730	\$ 46,252	\$ (478)	\$ 46,730	\$ 46,252	\$ (478)
Pelham House Ltd.	0	\$ 1,725	\$ 1,725		\$ 1,725	\$ 1,725	
Sonorex Oil and Gas Ltd	0	\$ -	\$ -	\$ -			
Kalimantan Investment Corporation	10.5	\$ 418,498	\$ 387,281	\$ (31,217)	\$ 418,498	\$ 387,281	\$ (31,217)
Total		\$ 631,263	\$ 435,258	\$ (196,005)	\$ 631,263	\$ 435,258	\$ (196,005)
Total Investments		\$ 708,450	\$ 482,993	\$ (225,457)	\$ 708,450	\$ 472,469	\$ (235,981)

The Foundation holds 2 million options Environmental Solutions International Ltd with an exercise price of AUD 0.01; the options are exercisable prior to 1 November 2008.

One million options are held on behalf of the World Subud Association Inc., and one million on behalf of Subud Australia Ltd.

The options are valued at share price per 31 December 2006 less the exercise price.

NOTE 4 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets as of December 31, 2006 and 2005, were as follows:

	<u>2006</u>	<u>2005</u>
Special Purpose Funds:		
Subud Houses	\$ 235,000	\$ 235,000
Humanitarian	\$ 49,203	\$ -
E.S.I. W.S.A/Oz	\$ 355,011	\$ 14,676
Canberra Centre	\$ 16,342	\$ -
Various	\$ 600	\$ 2,745
Total	\$ 656,156	\$ 252,421

Temporarily restricted net assets in the amount of \$ 7,945 (2005 : \$ 7,945) were released from donor restrictions because of grants made mainly to support youth participation in the XII W.S.A. World Congress.

Permanently restricted net assets as of December 31, 2006 and 2005, were as follows:

	<u>2006</u>	<u>2005</u>
Permanent Capital Fund:		
Farkas Endowment	\$ 460,000	\$ 433,373
Bapak Legacy Fund	\$ 342,789	\$ 270,587
Subud Australia Fund	\$ 75,000	\$ 75,000
Total	\$ 877,789	\$ 778,960

NOTE 5 Bapak Talks Fund

As the period for which the Bapak's Talks Fund was designated has expired, the balance of the fund (US\$ 50,000) was undesignated and returned to the General Fund.

In the past two years there has been no appeal for funds for the Talks project; nonetheless the Foundation remains committed to its completion.

NOTE 6 CAPITAL PRESERVATION FUND

In 1999 the Board of Trustees decided to designate the shares held by the Foundation in PT S.Widjojo and the Kalimantan Investment Corporation as having a special significance for the members of the parent organisation to the Capital Preservation Fund. The Board will add other assets to this fund as it may see fit from time to time.

NOTE 7 FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of:

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

As a normal course of business operations the Foundation will have funds on deposit in various correspondent financial institutions in excess of federal deposit insurance ceilings. The Foundation does not anticipate any loss as a result of this activity.

Concentration of Credit Risk Arising from Notes Receivable

The Foundation holds a non-interest bearing promissory note of IDR 507,650,000 from Yayasan Muhammad Subuh (YMS) in Jakarta, Indonesia, to secure its rights on certain properties in Cilandak, Jakarta.

The Foundation holds a non-interest bearing promissory note of NKR 2,910,200 from FloChem a/s and its owners in Norway (Balance per 31 December 2006 NKR 2,764,690). The note is to be paid in annual instalments of minimum 10 % per year. Instalments due within one year have been included under Accounts Receivable.

Concentration of Credit Risk Arising from Long-Term Investments

The Foundation's long-term investment portfolio consists principally of shares in two companies, both privately held. One of the privately held company's earnings are derived mostly from rental revenues from a single office building. There is no ready market for these shares. The value of the investment holdings are described in Note 3.

NOTE 8 DONATED SERVICES AND FACILITIES

In 2005 and 2004 professional services were contributed to the Foundation. There is no value for these donated services reflected in the accompanying financial statements since non-financial assets were not enhanced, specialized skills were not involved, and the services were not of a nature typically purchased by the Foundation. Nevertheless, a substantial number of trustees and officers have donated significant amounts of time in attempting to raise contributions and organize Foundation activities.

The use of operating facilities has been donated by the owners of such facilities. The estimated rental value of these facilities is not reflected in the accompanying financial statements since the use was intermittent and there was no objective basis available by which to measure the value of such facilities.

NOTE 9 REGULATORY REQUIREMENTS

Generally, charitable organizations with their principal offices in the State of Virginia and gross proceeds in excess of \$ 25,000 are required to register with the state and pay a small registration fee. However, in 2004 and 2003, no cash or property contributions were received from individuals or organizations domiciled in the State of Virginia, thereby exempting the Foundation from registering in the state of its principal office.

The Foundation's annual proceeds are generally in excess of \$ 25,000, and accordingly, annual information returns are required to be filed with the United States Internal Revenue Service.

NOTE 10 LOANS FROM TRUSTEES

In March 1996, six trustees lent the Foundation a total of \$ 51,100 to purchase shares in the newly formed Kalimantan Gold Corporation. The terms of these loans were payback on demand by the individual trustee, no interest, profits to the account of the Foundation, losses to the individual trustee. As of December 31, 2006, the value of the balance of \$ 24,900 (2005: \$ 41,100) notes payable to trustees was \$ 11,027 (2005: \$ 10, 066) because of decreases in the stock's price. It is anticipated that the lenders will not call these loans until the share price increases.

NOTE 11 EURO LOAN

In 1999 the Foundation received an interest free loan of Euro 68,000. The loan is under certain conditions (hardship clause) recallable by the lender; on decease of the lender the loan falls to the Foundation. Any revenues on the amount lent are revenues of the Foundation.

NOTE 12 NOTES RECEIVABLE - SUBUD ORGANIZATIONS

Organization	Amount Outstanding		Terms
	12/31/2006	12/31/2005	
Subud Portugal	\$ 20,000	\$ 20,000	Zero percent; to be converted into grant in 2007 (conditionally).
Subud Sao Paulo	\$ 14,000	\$ 15,000	Zero percent; annual payments of \$ 1,000; repayment to start December 1, 2005.
Subud Italy	\$ 3,657	\$ 4,907	Zero percent; semi-annual payments \$ 500; repayment to start December 2001
Subud Malaysia	\$ 5,151	\$ 5,151	Zero percent; semi-annual payments \$ 500 over 15 years; repayment started July 1997
Subud Mexico (1)	\$ 3,800	\$ 3,800	Zero percent; annual payments of \$ 400 over 15 years; repayment started January 1998
Subud Mexico (2)	\$ 3,600	\$ 3,600	Zero percent; 14 annual payments of \$ 300, final payment \$ 800, starting from April 1, 1999
Subud Ukraine	\$ 15,000	\$ 15,000	Zero percent: annual payments of \$ 1,000 over 16 years, started March 1998; in arrears
Subud Colombia	\$ 5,545	\$ 6,250	Zero percent; annual payments of \$ 700 over 10 years; repayment to start April 1, 2000.
	\$ 70,753	\$ 73,708	
Allowance for uncollectable debts	\$ (20,545)	\$ (21,250)	
Total	\$ 50,208	\$ 52,458	

Repayment of the loans to Subud Ukraine and Subud Colombia is heavily in arrears, and in view of the harsh economic circumstances in those countries there is serious doubt about the possibility to collect these loans at any foreseeable time. Management therefore has decided to create an allowance for incollectable debts for the balance of US\$ 20,545 of the loans.